



### Quarterly Oversight Report #1 for March 2009

### ACCOUNTABLE BUSINESS TRANSFORMATION PROGRAM (ABT)

#### SUMMARY

The ABT Program will transform King County's operations by consolidating and streamlining business processes and by implementing new financial, human resource/payroll, and budget systems for use by all agencies of county government.

Implementation of the ABT Program is lead by program staff in the Department of Executive Services. The County Council directed the Capital Projects Oversight (CPO) Program to conduct oversight on the ABT Program. This first quarterly oversight report of the ABT Program implementation phase is based on financial information through December 31, 2008. We have concerns that the ABT Program is behind schedule by more than five months for the first major milestone and that there are several risks that could result in additional cost or delay. We are making two recommendations aimed at contributing to ABT's successful implementation at this time.



#### PROJECT STATUS    ● = No Current Concerns    ▼ = Attention Required    ◆ = Corrective Action Required

#### ● Scope

The baseline scope is in the ABT Detailed Implementation Plan (DIP), approved by council in October 2008. Council required the ABT Program to produce a Benefits Realization Plan for submittal by April 30, 2009. The cost for developing this plan was not included in the DIP. ABT has made one minor, no-cost scope addition. They plan to extend the Performance Management and Reporting effort by one year beyond the planned "go live" date to enhance and refine reporting capabilities.

#### ▼ Schedule

<u>Activity ("go live" milestones)</u>	<u>Approved Schedule</u>	<u>Current Forecast</u>	<u>Comment</u>
Human Capital Management (HCM)	9/2/09	2/16/10	167-day delay
Payroll (first of three "go live" dates)	1/3/11	2/16/11	43-day delay
Financial	1/1/11	2/1/11	30-day delay
Budget (first of two "go live" dates)	4/1/12	2/28/12	30-day acceleration

#### ● Budget

	<u>Approved Budget</u>	<u>Expenditures through Dec. 2008</u>	<u>Expenditures as % of Budget</u>	<u>Remaining Budget</u>
Planning	\$ 9,032,857	\$ 8,322,906	92%	\$ 709,951
Implementation	64,595,037*	2,224,856	3%	62,370,181
Contingency	12,919,007*	0	0%	12,919,007
Total	\$86,546,901	\$10,547,762	12%	\$75,999,139

\*Totals to the 2008 appropriation of \$77.5 million.

#### ▼ Issues and Risks

Strategies are in place but may not be adequate to address all of the following identified issues and risks:

- There are unanticipated costs to prepare side systems in agencies to interface with the new ABT systems.
- Technology infrastructure was not in place to meet initial schedule and could delay schedule further.
- Project Review Board and ABT Management approvals can delay schedule.
- Project teams are not fully staffed. Ability to hire qualified staff when needed is not assured.
- Active and consistent participation by agency staff is needed to increase the likelihood of program success.
- Budget system schedule is dependent upon successfully concluding negotiations with Neubrain in March.

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**BACKGROUND**

**ABT Program Overview**

The ABT Program is a five-year effort that will transform the county's financial, human resource, payroll, and budget operations by implementing countywide best practices and systems for:

- one core financial system (Oracle E-Business Suite, Version 12);
- one core human resources/payroll system (PeopleSoft Human Capital Management, Version 9); and
- one capital and operating budget management system (Cognos Business Intelligence).

The five-year program is divided into two phases. Phase I ("Core Implementation") consists of activities to implement Oracle E-Business Suite and PeopleSoft during years one through three (2009 to 2011) and Cognos Business Intelligence during years one through four (2009 to 2012). Phase II ("Initiatives") will take place in 2012 and 2013 and consists of activities related to production completion, reporting functionality, recruiting optimization, performance evaluation, and enterprise learning management.

Between 2005 and 2007, the council appropriated \$9 million for ABT planning and pre-implementation activities. In October 2008, the County Council approved the ABT Program Detailed Implementation Plan (Motion 12863) and appropriated \$77.5 million, including a 20 percent contingency, for Phase I implementation (Ordinance 16275). The implementation appropriation supports county staff, consulting resources, computer equipment, software licenses, facilities, and other costs necessary for the program. The County Executive may request funding for Phase II (\$23.2 million) at a later time. As shown in Table 1, the combination of funds already appropriated and expected-to-be appropriated totals \$109.8 million.

**Table 1. ABT Program Cost Overview**

<b>Appropriation Status</b>	<b>Purpose</b>	<b>Amount</b>
2005 Appropriation	Planning	\$3,973,663
2007 Appropriation	Planning	\$ 5,059,194
<b><i>Planning and Pre-Implementation Subtotal</i></b>		<b><i>\$9,032,857</i></b>
2008 Appropriation	Implementation Phase I	\$64,595,037
2008 Contingency Appropriation	Implementation Phase I	\$12,919,007
Not Appropriated	Implementation Phase II	\$23,214,107
<b><i>Implementation Subtotal</i></b>		<b><i>\$100,728,154</i></b>
<b><i>Grand Total</i></b>		<b><i>\$109,761,011</i></b>

The ABT Program is being accomplished by a combination of county staff and consulting resources in accordance with a critical path that identifies five phases of work<sup>1</sup>: Discovery, Configuration, Additional Development and Testing, Deployment, and Post Production Support. The plan anticipates the need for county staffing from a high of 60 FTEs in 2010 to a low of 12 FTEs in 2013.

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<sup>1</sup> These are the names of phases for the finance and human resources systems. The budget system implementation will accomplish the same tasks, but the phases have different names.

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#### **Capital Project Oversight Overview**

The King County Auditor's Office is providing independent project oversight services through its Capital Projects Oversight (CPO) program as directed in the 2007 auditor's annual work program and Ordinance 16275 (2008). The goal of direct project oversight is to increase the likelihood of the success of a high-risk capital project by reducing project risks. A project is a success if it is delivered in an efficient and effective manner within the council-approved scope, schedule and budget. Through this oversight, capital project management is made transparent and the council and the public are provided with timely information about the project status.

ABT oversight is being conducted by monitoring monthly status reports to the Project Review Board (PRB) and other requested documentation, attending selected implementation meetings, convening monthly meetings with the ABT Program staff for discussion of emerging risks on the program, and performing independent analyses of ABT Program performance measurements and deliverables.

This is the first quarterly oversight report of the implementation phase. It provides a review of the status of scope, schedule, budget, and risk information in the first ABT Program Quarterly Report that was transmitted by the County Executive to the council on March 16, 2009. This oversight report responds to the content of the ABT Quarterly Report, presents actual financial information through December 31, 2008, and comments on program status issues through the publication date. This oversight report also documents other tasks assigned to CPO by council.

For simplicity in reporting on this countywide program, we will use the term agency or agencies to refer to one or a group of departments, divisions, agencies, or branches of King County government.

#### **ABT PROGRAM STATUS**

##### **Major Implementation Accomplishments to Date**

- Council approved ABT Detailed Implementation Plan (Motion 12863) and appropriated Phase I implementation funds of \$77.5 million (Ordinance 16275) in October 2008.
- Executed contract with CIBER, Inc, the system integrator consultant, on February 2, 2009.
- Conducted ABT Program "kick-off" meeting on February 20, 2009.
- Installed temporary, host technology environments for Oracle and PeopleSoft in March 2009 because earlier target dates for permanent technology environments were missed.

##### **Upcoming Milestones**

- Execution of contract with Neubrain, LLC to purchase Cognos and consulting services for budget system integration (March 2009).
- Selection of a new quality management consultant to replace Pacific Consulting Group. The contract with Pacific was terminated in recognition of a possible impairment to their independence that resulted from the ABT Program hiring the key staff person from Pacific working on the county contract (April 2009).
- Transmittal of Benefits Realization Plan by April 30, 2009 (proviso response).
- Transmittal of policies and procedures related to roles and responsibilities of county employees and consultant resources by June 30, 2009 (proviso response).

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#### Scope Overview

The ABT Program Quarterly Report describes the scope in terms of the following four projects:

- **Human Capital Management (HCM):** Countywide implementation of human resource management best practices supported by the PeopleSoft HMC system.
- **PeopleSoft Payroll/Time and Labor:** Countywide implementation of payroll best practices supported by the migration of county agencies not currently on the PeopleSoft System from the legacy payroll system (MSA) to the PeopleSoft bi-weekly payroll system.
- **Financial:** Countywide implementation of financial management best practices supported by the Oracle E-Business Suite (EBS) Financials.
- **Budget System:** Countywide implementation of best practices for operating and capital budget management supported by the Cognos Business Intelligence system. Also implementation of performance management system supported by Cognos.

#### Scope Additions

This program scope as described in the quarterly report is consistent with the high-level scope as described in the ABT Program Detailed Implementation Plan (DIP)<sup>2</sup> with two minor exceptions. First, although the “go live” date for the Performance Management and Reporting System remains the same at December 31, 2012, an additional year was added to the implementation effort, extending the assignment time for one FTE to work on refining and enhancing reporting capabilities. The ABT Program Manager has indicated the cost for this work is included in the existing Budget System project budget.

Second, it appears that a small amount of Phase II work may be planned to be done during Phase I, as it is included in the scope of work for the CIBER contract. ABT is implementing a limited functionality for Talent Acquisition, Candidate Gateway and eRecruit modules in PeopleSoft for a small number of county users who currently use these tools, so they will still have the same functionality after ABT Phase I implementation. Countywide implementation of these tools is planned for Phase II if funded in the future.

#### Benefits Realization Plan<sup>3</sup>

The quarterly report also notes that the Benefits Realization Plan, which was required by the council in Ordinance 16275, represents “an increase in the ABT Program scope described in the adopted Detailed Implementation Plan.” The report further notes that while the costs<sup>4</sup> to develop and implement the plan are not in the ABT Program budget approved by the council, ABT program management believes that the development costs can be absorbed within the appropriated ABT budget; however, costs for implementing the Benefits Realization Plan may require funding from program contingency. A detailed budget, along with a draft plan, will be transmitted to the council by April 30, 2009, in accordance with a proviso in Ordinance 16275.

We will monitor the program implementation for consistency with the council-approved scope and evaluate and report the impacts of any deviations.

#### Schedule Overview

The ABT Program Quarterly Report notes schedule changes in the “go live” dates (when the systems become operational and ready for use), as shown in Table 2. The reasons for the changes are summarized in the “Comment” column.

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<sup>2</sup> Pages 8 to 9 and pages 50 to 55.

<sup>3</sup> The Benefits Realization is intended to describe the process for how program benefits will be identified and how these benefits will be allocated and realized throughout the county organization.

<sup>4</sup> A preliminary estimate of \$445,000 was presented by the ABT Program to the Project Review Board on March 17, 2009.

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**Table 2.**  
**Major ABT Program “Go Live” Milestones Schedule**

ABT Project	Schedule			Comments
	Council-Approved DIP	ABT Program Revised	Variance + delay or (acceleration)	
Human Capital Management (HCM)	9/2/09	2/16/10	+167 days	Delayed due to late implementation start. Schedule moved further out to avoid HCM “go live” during annual benefits open enrollment period.
Payroll/Time and Labor				
Group #1	1/3/11	2/16/11	+43 days	Delayed due to late implementation start.
Group #2	7/3/11	7/16/11	+13 days	Delayed to more closely coincide with pay period.
Group #3	1/1/12	1/2/12	+1 day	Delayed to more closely coincide with pay period.
Finance	1/1/11	2/1/11	+30 days	Delayed due to late implementation start.
Budget Capital	4/1/12	3/15/12	(15 days)	Accelerated for new deadline for the executive’s transmittal of proposed budget to council per November 2008 charter amendment.
Budget Operating	4/1/12	2/28/12	(30 days)	Accelerated for new deadline for the executive’s transmittal of proposed budget to council per November 2008 charter amendment.
Performance Management and Reporting	12/31/12	12/31/12	No change	Extended by one year by staffing through 12/31/13 to refine and enhance reporting capabilities.

**Schedule Delay**

When the council appropriated Phase I funding in October 2008, they included a proviso in the ordinance prohibiting expenditure of funds for the systems integrator contractor until the Office of the Prosecuting Attorney (PAO) reviewed the contract and certified in writing that certain contract conditions had been met. Then at the December 16, 2008 Project Review Board meeting, the county’s Chief Information Officer (CIO) announced that the PAO had placed a condition on its certification, which was that the Chief Information Officer approve the selected contractor, CIBER, Inc. and the proposed contract. These two processes (the PAO’s review and the CIO’s approval) concluded on February 2, 2009, when the PAO transmitted its certification letter. The contract was executed the same day and CIBER was on-site on February 3.

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As result of this additional due diligence, the ABT Management Team<sup>5</sup> established a “checkpoint” for the ABT Program to report to the team upon conclusion of the detailed analysis stage. In addition, the delayed implementation date caused the need to add an activity in the CIBER contract. January 2011 IBIS and ARMS financial transactions data will need to be converted to the new Oracle financial system resulting in an increased cost to the contract of \$150,000. The additional cost will be absorbed within the existing ABT budget. Finally, the ABT Program manager reports that the additional due diligence produced a sound contract and provided additional time to prepare for a successful program kick-off and conduct more extensive planning for the detailed analysis sessions. Hiring of implementation staff was slowed to lessen the cost impacts of the delay.

A focus of oversight in the future will be to monitor the development of the revised detailed schedule which reflects the delayed implementation start date and to track the critical path on the schedule to each “go live” date. This will lead to an understanding of the impacts of schedule changes to the delivery of major milestones and the potential cost impacts of any future schedule delays. With this understanding we may be able to recommend mitigation strategies for the program team to consider to more effectively manage the program schedule.

**Cost/Budget Overview**

As shown in the table on page 1, the ABT Program has a total budget of \$86,546,901 based on the current appropriations. This includes \$9,032,857 for planning and pre-implementation activities, \$64,595,037 for Phase I implementation, and a 20-percent implementation contingency \$12,919,007. Table 3 below shows the expenditure plan for the Phase I as shown in the DIP.

**Table 3.**  
**ABT Program Phase I Budget by Project and Year of Expected Expenditure**

	<b>Nov/Dec 2008 2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
<b>Financial System</b>	13,064,481	11,840,820	4,192,404	0	0	29,097,705
<b>HCM System</b>	11,637,992	9,428,135	9,596,921	0	0	30,663,048
<b>Budget System</b>	1,086,039	649,568	1,462,350	903,548	732,781	4,834,286
<b>Sub-total</b>	<b>25,788,512</b>	<b>21,918,523</b>	<b>15,251,675</b>	<b>903,548</b>	<b>732,781</b>	<b>64,595,039</b>
<b>20% Contingency*</b>	5,157,702	4,383,705	3,050,335	180,710	146,556	12,919,008
<b>Total</b>	<b>30,946,214</b>	<b>26,302,228</b>	<b>18,302,010</b>	<b>1,084,258</b>	<b>879,337</b>	<b>77,514,047</b>

\* Assumed to be used at rate of other program expenditures.

As shown in the budget table on page 1, through December 2008, life-to-date program expenditures have been \$10,547,762 or approximately 12 percent of the program budget. None of the contingency funds have been used. The \$2,224,856 implementation expenditure is for the purchase of Oracle financial software in December. All other expenditures are shown in the planning or pre-implementation phase. This is in contrast to the ABT Program Quarterly Report which included estimated Benefits Realization Plan development costs as implementation and an \$85,441 software maintenance credit that was not reflected in the 2008 project costs according to IBIS, the applicable county financial system.

Future oversight reports will provide greater detail on the program implementation costs by project and by category of expenditure developed in consultation with the ABT Program staff for comparison to their detailed expenditure plan. We will also monitor the program expenditures and progress as measured by the earned value of the work compared to the project plan. The ABT Program team is developing a tool to provide this earned value analysis considering our input.

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<sup>5</sup> The Chief Information Officer, the Assistant County Executive, the County Administrative Officer Designee, the ABT Deputy Program Sponsor, the Director of the Office of Management and Budget, and the ABT Program Manager.

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#### Cost Saving

The ABT Program Quarterly Report noted an accelerated purchase of Oracle financial software in 2008 resulting in cost savings with a present value of \$3.38 million over seven years compared to the budgeted, phased purchase in 2009 and 2010 as presented in the DIP. Oracle E-business enterprise licenses resulted in initial savings of \$576,000 in 2012 and annual savings of more than \$115,000.

#### Potential Cost Increase

The planning period was extended three months beyond what was anticipated with the delay in executing the CIBER contract. ABT Program staffing during this time was between 21 and 24 employees. Planning costs incurred during November, December, and January were approximately \$935,000. It is difficult to determine what portion of these costs resulted in additional cost to the program. The ABT Program Manager describes the additional planning work done as adding value to more effective and efficient implementation. The appropriated planning budget was adequate to cover the program costs during the delay period. The implementation budget can cover the added \$150,000 cost of the CIBER contract attributed to the delay.

#### Forecast Cost at Completion

The December ABT Program monthly report to the PRB forecasts that the total program cost at completion of the project will be equal to the funds appropriated to date without use of any contingency. Given the fact that an earned value<sup>6</sup> monitoring system has not yet been implemented, and therefore has not been reviewed as part of the project oversight, we cannot offer an independent opinion about the overall status of the project cost and schedule in comparison to original assumptions. However, monitoring costs and schedule status will be a key component of project oversight going forward, and we will review the earned value monitoring process and assumptions as they are developed.

#### Recommendation

We recommend that the ABT Program provide an updated forecast of program cost at completion beginning with its annual report due to council in June 2009 and update it with each annual report. This should include any known savings as well as any anticipated cost increases and anticipated schedule changes, based on the current program status. We will work with the ABT Program Manager on a format to provide visibility to any significant increases or decreases by cost category in future quarterly reports.

#### **Issues and Risks**

The ABT Quarterly Report March 2009 includes a description of five issues or risks to successful delivery of this program consistent with the council-approved scope, schedule, and budget. These risks include the most significant areas of concern that we had identified through our oversight activities to date. The ABT Program staff has developed risk mitigation strategies to minimize the impact of these risks to successful program delivery. These strategies may not be adequate to avoid cost and schedule impacts to the program. Ongoing oversight activities will monitor the effectiveness of the risk management strategies, develop recommendations for improvement where needed, and identify new or emerging risks that need attention. A discussion of the five reported issues and risks follows, as well as the sixth issue we added for consideration as a risk in this report.

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<sup>6</sup> Earned value monitoring is a method for providing a concise and timely view of project progress, enabling early forecasting and resolution of cost and schedule issues.

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**1. The resources for insuring that side systems retained in agencies continue to function and interface with new ABT systems (PeopleSoft, Oracle and Cognos) are not included fully in the ABT Program scope or budget.**

Side systems<sup>7</sup> will be retained when the standard functionality of the new software systems does not meet the specialized nature of the agency's business needs or where a modification to the new software is not deemed warranted. The Detailed Implementation Plan (DIP) identified 338 side systems existing in the various county agencies. Of these, 64 percent were targeted for retirement and 36 percent (or 122) were described as eligible for retention and interfacing. The scope and budget for ABT covers a very limited role in the interfacing work that will need to be done. While observing ABT's outreach activities to agencies in the third quarter of 2008, we learned that agencies were not aware of the expectation that agencies would have a substantial role in funding and building the interfaces necessary for their side systems to function with the new software systems.

If agencies are not able to fund and implement interface development for their necessary side systems, a delay to the ABT implementation schedule or impact to an agency's business processes could result. Mitigation activities to address this risk are underway. ABT is updating the inventory of side systems. It currently shows that 98 side systems will need to be retained and interfaces built. Agencies have been asked to estimate the cost for development of their side system interfaces. The estimates will be used by the Office of Management and Budget for the 2010 budget.

The costs to develop the side system interfaces was not included in the program costs used for the cost/benefits analysis which informed the council's decision to appropriate funds to implement ABT.

We recommend that agencies track their costs for building side system interfaces and report their costs and schedule for completing the work to ABT. This will make it possible to capture a more complete extent of the costs for implementation of the ABT Program for post implementation cost/benefit calculation.

We will monitor the work to resolve this issue and recommend additional mitigation strategies if needed.

**2. Technology environments (hardware, network, platform, servers and other infrastructure) to support the ABT Program may not be available to support ABT activities on a timely basis.**

The DIP identified the need to have preproduction technology environments in place for configuration and testing of the PeopleSoft and Oracle systems in December and January, respectively. This did not occur. The revised schedule sets a deadline for these environments to be in place by March 2009. Despite the three month delay in implementation start, this deadline will not be met. ABT employed an interim solution to avoid schedule delays by contracting with Mercury Technology Group to provide a temporary hosted technology environment that will meet program needs over the next six months until all necessary infrastructure is in place. This solution required a relatively small but unanticipated cost of \$23,480.

ABT and OIRM established a technology team in January to develop and implement a plan to install the technology environments for use beginning in May 2009 allowing the temporary host environment to be retired. We will monitor the ABT/OIRM technology team progress and recommend if additional mitigation strategies appear to be needed.

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<sup>7</sup> A side system may be defined as any system that an agency or program require to support Finance, Human Resources, Payroll and Budget business processes, especially those directly integrated by system interface or by other data dependency.



**3. Project Review Board and ABT Management reviews, check points, and decisions may impact the ABT Program schedule and budget if not completed in a timely manner.**

The Project Review Board (PRB) and the ABT Management Team are two elements in a complex governance structure of the ABT Program. The primary role of the management team is to provide senior management level planning and operational leadership and to resolve issues for the program. It also monitors program progress and adherence to scope, schedule, and budget and will conduct checkpoint reviews of each project at key milestones. The PRB controls funding releases and also has a monitoring role. All members of the PRB are members of the ABT Management Team except for the Deputy Program Sponsor. Both the PRB and the ABT Management Team can request the ABT Program staff to gather, analyze and report additional information, and potentially can withhold approvals resulting in added cost or schedule delay.

The ABT team proposed a mitigation strategy to use the regular weekly meetings with the ABT Management Team to resolve issues and prepare them and the PRB for upcoming future decisions or approvals. ABT also proposed additional reporting to the ABT Management Team including formal weekly status reports from the ABT Program Manager, monthly report from the Quality Assurance consultant, and a quarterly report in the same format as the one transmitted to council on March 16. This replaces a less formal, oral briefing format used during the planning phase of the program. It is unclear whether the proposed mitigation will prove to be effective in avoiding additional delays or costs in the future. Our concern is due largely to the different roles for the two groups, despite overlapping membership and access to the same information.

We will monitor the effect of actions by these two governance bodies on the ABT Program progress for indication that additional mitigation strategies are needed.

**4. Although ABT has filled key positions needed to begin the Implementation Phase, project teams are not fully staffed and will require expert functional and technical skills.**

The DIP includes a staffing plan for county staff needed for program implementation. The demand for staff ramps up over time to a peak of 59.4 FTEs in September 2010.

The ABT Program has a considerable challenge ahead to attract qualified candidates, work within the county selection process, and bring on qualified individuals to fill a large number of technology positions in a short time. The staffing plan in the DIP shows that in February 2009 48.2 county FTEs are needed. The ABT Program Quarterly Report indicates that 39 positions had been filled. The Program Manager has advised us that as of March 25, 2009, that number has increased to 46.8 FTEs and he intends to fill eight additional positions by the end of the second quarter. We will be monitoring the program staffing levels compared to the plan in the DIP as implementation proceeds.

Mitigation strategies to recruit qualified internal and external candidates for the vacant positions are in place. Current labor market conditions are more favorable for hiring qualified IT personnel than when the DIP was developed. This is especially true for the expertise needed for the ABT software systems, as Washington Mutual (WaMu) was a user of the PeopleSoft systems and many former WaMu employees are likely still looking for employment.

We will monitor the progress filling vacancies and make recommendations if additional mitigation strategies appear to be needed. We will also monitor for trends of staff attrition as implementation proceeds.

**5. Subject matter experts from all agencies of county government must be available to attend ABT business sessions for business requirements development, business process reviews, and user system testing. Inadequate participation may impact the quality of the system integration and delay implementation.**

The ABT Program is currently in the discovery stage of implementation. The quality of information gathered from the agencies and the quality of decisions made during this time will greatly impact the quality of the program implementation. This applies to both the software system integration and the changes to business practices that will be needed. Implementation relies heavily on leadership and knowledge from a designated single point of contact from each agency and from subject matter experts from within each agency.

Mitigation strategies include a variety of communication strategies with the agencies. The ABT Program has developed communication strategies for informing agencies of the importance of participating in the discovery stage activities. It is unclear whether these mitigation strategies will be adequate to gain the needed participation and quality decision-making from all agencies.

We will monitor this through observation of agency personnel attendance at selected ABT discovery stage meetings and review of issue reports from meetings with subject matter experts. Other monitoring methods may need to be developed if risks warrant it.

**6. The schedule for the budget business process redesign and the budget system implementation is dependent upon successfully concluding negotiations with Neubrain, LLC, the vendor selected as the budget system integrator for Cognos.**

As part of the DIP, in October 2008 the council approved selecting Neubrain, LLC as the vendor to review the county's current budget business processes, develop and recommend a common, improved process, and design and implement Cognos as the countywide budget software system. The original target date for an executed contract was in January 2009. The target date is now March 2009.

The county and Neubrain have not reached agreement on the terms and conditions for purchasing the Cognos software or for a limited scope to conduct the budget business process redesign. In the event that agreement cannot be reached in the very near term, a process to select another vendor or vendors to perform the work will need to be initiated. Because the budget system implementation is not scheduled until 2012, the go live date may not be impacted; however, there was a perceived benefit and a council expectation that the budget process redesign work would occur in 2009. The cost implications of abandoning negotiations with Neubrain are unknown at this time.

We will continue to closely monitor ABT's progress on negotiations with Neubrain and development of mitigation strategies if another vendor or vendors must be selected.

**Other Oversight Responsibilities for CPO**

The ordinance appropriating funding for the implementation of Phase I of ABT includes three other oversight roles for CPO. First, the CPO is responsible for reviewing notifications from the executive of the intent to spend contingency funds in excess of 15 percent of the remaining balance. No such notifications have been received to date.

Second, the CPO Manager is responsible for certifying by October 1, 2009 and each of the following three years that CPO has: (1) had timely access to ABT Program files; (2) received annual and quarterly reports required by Ordinance 16275; and (3) maintained open communication with the ABT Program management office. During this reporting period, the ABT Program has fully cooperated in answering questions and providing information that we have requested, and we have established an atmosphere of open communication with the ABT Program staff. With regard to the quarterly report, it should be noted that the executive requested a two-week extension of the March 1 due date. The quarterly report was received on March 16.

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#### Benefits Realization Plan

The third requirement for CPO involves the council's mandate for ABT to prepare a Benefits Realization Plan for transmittal by April 30, 2009 to the council, the CPO Manager, and others. The need for a plan was identified in the Auditor's Due Diligence Report in September 2008, and was later made a requirement in Ordinance 16275. As designed, the plan is intended to describe the process for how program benefits will be identified and how these benefits will be allocated and realized throughout the county organization.

Work on the plan was initiated in December 2008. The ABT Benefits Realization Plan (BRP) is currently in draft form, was presented to the PRB on March 17, and will be reviewed by ABT governance prior to executive transmittal to the council. The governance structure includes: Operations and Change Management Committee, External Advisory Committee, ABT Management Team, Advisory Committee, and Leadership Committee.

The BRP, scheduled for submission to the council by April 30, 2009, is a document that describes a process and activities that will eventually lead to the identification of benefit targets and the tracking and monitoring of benefits as they are realized. It does not include a schedule and plan for specific benefits to be realized. That comes in the next work product, referred to as the Benefits Measurement Plan, that is scheduled to be developed between May 2009 and February 2010.

Part of the challenge in creating a Benefits Measurement Plan, and why it is not scheduled to be completed until 2010, is that cost savings originally identified by the Hackett Group and reflected in the ABT Cost Benefit Analysis were aggregated at a countywide level and were not meant to reflect exact FTE reductions within the agencies that would be directly affected by the implementation of ABT. In presenting its findings, the Hackett Group acknowledged:

*"Benefits are largely related to changes in FTE requirements. Due to the fragmented and decentralized nature of most processes, these generally represent fractional FTE reductions across the County. In these cases, a more in-depth analysis would be required to pinpoint specific impacts by location and determine if benefits might be translated to savings."*

It was because of the difficulty of translating these potential impacts into savings that the Auditor's Due Diligence Report on the ABT Cost Benefit Analysis concluded that the ABT Program would not necessarily pay for itself.

We participated in the BRP work group in an advisory capacity and are monitoring the development of the ABT Benefit Realization Plan. It is our opinion that the planning effort has been well conceived. Because of the inherent difficulties that may be encountered in actually realizing estimated benefits, coupled with the fact that actual benefit targets have yet to be established, we will continue to closely monitor ABT's work on the BRP and Benefits Measurement Plan.

#### **RECOMMENDATIONS**

Based on our oversight activities over the last quarter we offer the following recommendations to the ABT Program:

1. Beginning with the June 2009 annual report and in each annual report thereafter, the ABT Program should provide an updated forecast of program cost at completion. This estimate should include any known savings as well as any anticipated cost increases and anticipated schedule changes based on the current program status.
2. Agencies should track their costs for developing interfaces for their retained side systems and should report these costs and their progress on meeting schedule deadlines to ABT. Side system

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interface costs, including those incurred by the agencies, should be included as an additional implementation cost when conducting the post project cost/benefit analysis of the ABT Program.

**Closing**

This report was prepared by a team from the King County Auditor's Office including Ron Perry, Tina Rogers, Shelley Sutton, and Bob Thomas. We appreciate the collaborative efforts of the ABT Program manager and staff in providing for effective oversight of the program consistent with council intent. No formal presentation of this quarterly report has been scheduled for the Government Accountability and Oversight Committee. As with all CPO reports, this will be placed on the King County Auditor's Office Web site so it will be available to the public. Should you have questions or comments on the report, please contact Tina Rogers, the Capital Projects Oversight Manager or Ron Perry, Deputy County Auditor.

**Distribution:**

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